

The NASD believes that the proposal is consistent with Section 15A(b)(6) of the Act. Section 15A(b)(6) requires that the rules of a national securities association be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. Specifically, the NASD believes the proposal is consistent with Section 15A(b)(6) of the Act because it should improve the NASD's ability to surveil for and deter violations of the Exercise Cut-Off Time for expiring equity options. In addition, the NASD believes that the requirement that a member must submit a written memorandum describing the circumstances surrounding the late submission of a Contrary Exercise Advice will better enable the NASD to surveil for instances where exercise decisions are impermissibly made or changed on the basis of material information released after the Exercise Cut-Off Time.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

The NASD does not believe that the proposed rule change will impose any burden on competition.

#### *C. Self-Regulatory Organization's Statement on Comment on the Proposed Rule Change Received From Members, Participants or Others*

No written comments were either solicited or received with respect to the proposed rule change.

#### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory

organization consents, the Commission will:

- (A) By order approve such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

#### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to File Number SR-NASD-94-78 and should be submitted by February 15, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 95-1783 Filed 1-24-95; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-20846; File No. 812-9140]

#### **Anchor National Life Insurance Company, et al.**

January 19, 1995.

**AGENCY:** Securities and Exchange Commission ("SEC" or the "Commission").

**ACTION:** Notice of application for an order under the Investment Company Act of 1940 (the "1940 Act").

**APPLICANTS:** Anchor National Life Insurance company ("Anchor National"), Variable Annuity Account Two ("Separate Account") and Vista Broker-Dealer Services, Inc. ("Vista").

**RELEVANT 1940 ACT SECTIONS:** Order requested under Section 6(c) of the 1940

Act for exemptions from Sections 26(a)(2) and 27(c)(2) thereof.

**SUMMARY OF APPLICATION:** Applicants seek an order to the extent necessary to permit the deduction of mortality and expense risk charges and a distribution expense charge from the assets of the Separate Account under certain individual and group variable annuity contracts (the "Contracts") funded through the Separate Account and under materially similar contracts which may be funded in the future by the Separate Account (the "future contracts"), and from the assets of any other separate account established in the future by Anchor National (the "future separate accounts") in connection with the issuance of contracts that are materially similar to the Contracts.<sup>1</sup>

**FILING DATE:** The application was filed on August 3, 1994, and amended on November 22, 1994.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing on the application by writing to the Secretary of the Commission and serving the Applicants with a copy of the request, personally or by mail. Hearing requests must be received by the Commission by 5:30 p.m. on February 13, 1995, and should be accompanied by proof of service on the Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Secretary of the Commission.

**ADDRESSES:** Secretary, SEC, 450 Fifth Street NW., Washington, DC 20549. Applicants, c/o Mark J. Mackey, Esq., Routier, Mackey and Johnson, P.C., 1700 K Street NW., Suite 1003, Washington, DC 20006.

**FOR FURTHER INFORMATION CONTACT:** Patrice M. Pitts, Attorney, or Wendy Finck Friedlander, Deputy Chief, Office of Insurance Products, Division of Investment Management, at (202) 942-0670.

**SUPPLEMENTARY INFORMATION:** Following is a summary of the application. The complete application is available for a fee from the Public Reference Branch of the Commission.

<sup>1</sup> Applicants have agreed to amend this application during the notice period to reflect that the future contracts and the contracts issued by future separate accounts relying on the exemptive relief requested here shall be materially similar to the Contracts.

1994) (order approving File No. SR-PHLX-93-37); 34807 (October 7, 1994), 59 FR 52329 (October 17, 1994) (order approving File No. SR-CBOE-94-06); 34808 (October 7, 1994), 59 FR 52324 (October 17, 1994) (order approving File No. SR-AMEX-94-01); 34810 (October 7, 1994), 59 FR 52334 (October 17, 1994) (order approving File No. SR-PSE-94-12); and 34818 (October 11, 1994), 59 FR 52331 (October 17, 1994) (order approving File No. SR-NYSE-94-12).

<sup>13</sup> 17 CFR 200.30-3(a)(12) (1994).

### Applicants' Representations

1. Anchor National is a stock life insurance company organized under the laws of the State of California. On May 24, 1994, Anchor National established the Separate Account to fund variable annuity contracts. The Separate Account is registered under the 1940 Act as a unit investment trust. The Separate Account is administrated and accounted for as part of the general business of Anchor National, but the income, gains or losses of each subaccount of the Separate Account is/are credited to or charged against the assets held in that subaccount in accordance with the terms of the Contracts, without regard to other income, gains or losses of any other subaccount or arising out of any other business Anchor National may conduct.

2. Vista is a broker-dealer registered under the Securities Exchange Act of 1934, and is the distributor for the Contracts.

3. The Contracts are tax deferred annuities that provide for the accumulation of values and the payment of annuity benefits on a fixed basis, or a combination of both. Typically, a group Contract is issued to a contract holder and covers all participants in the group. Each participant receives a certificate that evidences his or her participation under the Contract. In those states where the group Contract is not available, an individual Contract may be available instead. The individual Contract is substantially similar to the group Contract except that the individual Contract is issued directly to the owner, rather than to a contract holder for the benefit of a participant. (For convenience, references to "participant" and "certificate" herein shall include a Contract owner and the Contract, respectively, in the case of an individual Contract.)

4. The Contracts are available for retirement plans that do not qualify for the special federal tax advantages available under the Internal Revenue code ("non-qualified plans") as well as for retirement plans that do qualify for the federal tax advantages available under the Internal Revenue code ("qualified plans").

5. Purchase payments under the Contracts may be made to the Separate Account, to the general account of Anchor National under the Contract's fixed account option ("Fixed Account"), or allocated between the Separate Account and the Fixed Account. The minimum initial purchase payment for a Contract is \$5,000 for non-qualified contracts, or \$2,000 for qualified

contracts. Additional purchase payments may be made in amounts of at least \$250, or \$100 in the case of an automatic payment plan.

6. Initially, the Contracts will be funded through six subaccounts (the "Subaccounts") of the Separate Account; each Subaccount will invest in the shares of one of six available series of Mutual Fund Variable Annuity Trust ("Trust"). Additional underlying funds may become available in the future.

7. The six available series of the Trust are: the Growth and Income Portfolio; the Capital Growth Portfolio; the International Equity Portfolio; the Asset Allocation Portfolio; the U.S. Treasury Income Portfolio; and the Money Market Portfolio. The Trust is registered under the 1940 Act as a diversified, open-end, management investment company.

8. If the participant dies during the accumulation period, a death benefit will be payable to the beneficiary open receipt by Anchor National of due proof of death. The death benefit is reduced by the premium tax incurred by Anchor National, if any. If the participant is younger than age 70 at the date of certificate issue, the death benefit is equal to the greatest of: (i) The total dollar amount of purchase payments made prior to the death of the participant, reduced by any partial withdrawals and partial annuitizations; (ii) the Contract value at the end of the valuation period during which due proof of death (and an election of the type of payment to the beneficiary) is received by Anchor National; or (iii) where permitted by state law, the Contract value at that anniversary of the certificate issue date preceding the date of death—increased by any purchase payments made and reduced by any partial withdrawals and partial annuitizations since that anniversary—which yields the greatest result. If the participant is at least age 70 on the date of certificate issue, the death benefit will equal (ii) above.

9. An annual contract administration charge of \$30 is charged against each certificate. The amount of this charge is guaranteed and cannot be increased. This charge reimburses Anchor National for expenses incurred in establishing and maintaining records relating to a Contract. The contract administration charge will be assessed on each anniversary of the certificate issue date that occurs on or prior to the annuity date. In the event that a total surrender of Contract value is made, the charge will be assessed as of the date of surrender, without proration. This charge is not assessed during the annuity period. The contract

administration charge is at cost, with no margin included for profit.

10. During the accumulation period, amounts allocated to the Separate Account may be transferred among the Subaccounts and/or to the Fixed Account. Both before and after the annuity date, Contract values may be transferred from the Separate Account to the Fixed Account. The first fifteen transfers in any Contract year are permitted without the imposition of a transfer fee. A transfer fee of \$25 (\$10 in Pennsylvania and Texas) is assessed on the sixteenth and each subsequent transfer within a Contract year. This fee will be deducted from Contract values that remain in the Subaccount or the Fixed Account, as appropriate, from which the transfer was made. If the remaining Contract value is insufficient to pay the transfer fee, the fee will be deducted from transferred Contract values. The transfer fee is at cost, with no anticipation of profit.

11. Although there is a free withdrawal amount that applies to the first withdrawal during a Contract year after the first, a contingent deferred sales charge (the "Withdrawal Charge") may be imposed upon certain withdrawals. Withdrawal Charges will vary in amount depending upon the contribution year of the purchase payment at the time of withdrawal. So that all withdrawals are allocated to purchase payments to which the lowest Withdrawal Charge (if any) applies, withdrawals will be allocated first to investment income, if any, which generally may be withdrawn free of Withdrawal Charge, and then to purchase payments on a first-in, first-out basis.

12. Earnings in a participant's account and purchase payments no longer subject to the Withdrawal Charge may be withdrawn at any time free of the Withdrawal Charge. In addition, there may be a free withdrawal amount for the first withdrawal during the second or any subsequent Contract year. That additional free withdrawal amount is equal to 10% of purchase payments made more than one year prior to the date of withdrawal that remain subject to the Withdrawal Charge and that have not previously been withdrawn, less earnings in the participant's account.

13. Any amounts withdrawn that exceed the limits described above may be subject to a Withdrawal Charge in accordance with the table shown below.

WITHDRAWAL CHARGE TABLE

Contribution year	Applicable withdrawal charge percentage
Zero .....	6
First .....	6
Second .....	5
Third .....	5
Fourth .....	4
Fifth .....	3
Sixth .....	2
Seventh and later .....	0

The Withdrawal Charge may be reduced or waived in certain circumstances, as described in the prospectus for the Contracts.

14. Anchor National deducts a distribution expense charge from each Subaccount during each valuation period that is equal, on an annual basis, to 0.15% of the net asset value of each Subaccount. This charge is designed to compensate Anchor National for assuming the risk that the cost of distributing the Contracts will exceed the revenues from the Withdrawal Charge. In no event will this charge be increased. The distribution expense charge is assessed during both the accumulation period and the annuity period; it is not applied to Contract values allocated to the Fixed Account.

15. Annuity payments will not be affected by the mortality experience of (i) persons receiving such payments or (ii) the general population. The annuity rates may not be changed under the Contract. Anchor National deducts a mortality risk charge from the Separate Account for assuming the risks that: (i) The life expectancy of an annuitant will be greater than that assumed in the guaranteed annuity purchase rates; (ii) the Withdrawal Charge may be waived in the event of the death of the participant; and (iii) the death benefit must be provided before the annuity date. The charge is deducted from each Subaccount during each valuation period at an annual rate of 0.90% of the net asset value of each Subaccount. If the mortality risk charge is insufficient to cover the actual cost of assuming the mortality risks, Anchor National will bear the loss. If the charge proves more than sufficient, the excess will be a gain to Anchor National. To the extent Anchor National realizes any gain, those amounts may be used at its discretion, including offsetting losses experienced when the mortality risk charge is insufficient. The mortality risk charge may not be increased under the Contract.

16. Anchor National bears the risk that the Contract administration charge

will be insufficient to cover the cost of administering the Contracts. For assuming this risk, Anchor National deducts an expense risk charge from the Separate Account during each valuation period at an annual rate of 0.35% of the net asset value of each portfolio. If the expense risk charge is insufficient to cover the actual cost of administering the Contracts, Anchor National will bear the loss. If the charge is more than sufficient, the excess will be a gain to Anchor National. To the extent Anchor National realizes any gain, those amounts may be used at its discretion, including offsetting losses when the expense risk charge is insufficient. The expense risk charge may not be increased under the Contract.

17. Applicants represent that the aggregate amount of any Withdrawal Charges imposed and distribution expense charges paid will not at any time exceed 9% of purchase payments previously made, and that Anchor National will monitor each participant's account for the purpose of ensuring that this limitation is not exceeded. Applicants undertake to include in the prospectus forming part of the registration statement for the Contracts statements describing the purpose of the distribution expense charge and statements that the staff of the Commission deems such charge to constitute a deferred sales charge. Applicants undertake to abide by the representations and undertakings set forth in this paragraph relating to the distribution expense charge in connection with future contracts, as well as materially similar contracts funded through future separate accounts, relying on the requested order.

#### Applicants' Legal Analysis

1. Applicants hereby request that the Commission, under Section 6(c) of the 1940 Act, grant exemptions from Sections 26(a)(2) and 27(c)(2) thereof to the extent necessary to permit the deduction of mortality and expense risk charges and a distribution expense charge: (i) from the Separate Account under the Contracts and under any future contracts; and (ii) from the assets of any future separate accounts which offer contracts materially similar to the contracts.

2. Pursuant to Section 6(c) of the Act, the Commission may, by order upon application, conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities or transactions, from any provision or provisions of the 1940 Act or from any rule or regulation thereunder, if and to

the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

3. Sections 26(a)(2) and 27(c)(2) of the 1940 Act require, among other things, that all payments received under a periodic payment plan certificate sold by a registered unit investment trust, any depositor thereof or underwriter therefor, be held by a qualified bank as trustee or custodian, under arrangements which prohibit any payment to the depositor or principal underwriter except for the payment of a fee, not exceeding such reasonable amount as the Commission may prescribe, for bookkeeping and other administrative services.

4. Applicants believe that extending the requested relief to the future contracts, as well as to materially similar contracts funded through future separate accounts, is appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act. Applicants submit that such an order would promote competitiveness in the variable annuity contract market by eliminating the need for Anchor National to file redundant exemptive applications, thereby reducing Anchor National's administrative expenses and maximizing the efficient use of Anchor National's resources. The delay and expense involved in having to seek exemptive relief repeatedly would impair Anchor National's ability effectively to take advantage of business opportunities as they arise. Applicants further submit that the requested relief is consistent with the purposes of the 1940 Act and the protection of investors for the same reasons. Applicants submit that if Anchor National were required repeatedly to seek exemptive relief with respect to the same issues addressed in this application, investors would not receive any benefit or additional protection thereby.

5. Applicants assert that the aggregate of the mortality and expense risk charges, 1.25%, is reasonable in relation to the risks assumed by Anchor National under the contracts and reasonable in amount as determined by industry practice with respect to comparable annuity products. Applicants state that these determinations are based on their analysis of publicly available information about similar industry practices, taking into consideration such factors as current charge levels and benefits provided, the existence of expense charge guarantees and

guaranteed annuity rates. Anchor National undertakes to maintain at its home office, and make available to the Commission upon request, a memorandum detailing the methodology used in making these determinations.

7. Applicants represent that if the mortality, expense risk, or distribution expense charges are insufficient to cover actual costs, Anchor National will bear the loss. To the extent that the mortality and expense risk charges are in excess of actual costs, Anchor National, at its discretion, may use the excess to offset losses when the charges are not sufficient to cover expenses.

8. Anchor National submits that there is a reasonable likelihood that the Separate Account's distribution financing arrangement will benefit the Separate Account and its investors. Anchor National represents that it will maintain and make available to the Commission upon request a memorandum setting for the basis of such conclusion. Similarly, before relying on any exemptive relief granted herein with respect to any future contracts or to any materially similar contracts issued by future separate accounts, Applicants will determine that there is a reasonable likelihood that the distribution financing arrangement will benefit the Separate Account (or future separate accounts) and its (or their) investors. Anchor National will maintain and make available to the Commission upon request a memorandum setting forth the basis for such determination.

9. Anchor National further represents that the assets of the Separate Account and any future separate accounts that rely on the requested order will be invested only in management investment companies that undertake, in the event they should adopt a plan for financing distribution expenses pursuant to Rule 12b-1 under the 1940 Act, to have such plan formulated and approved by their board of directors, the majority of whom are not "interested persons" of the management investment company within the meaning of section 2(a)(19) of the 1940 Act.

### Conclusion

Applicants submit that for the reasons and upon the facts set forth above, the exemptions from Sections 26(a)(2) and 27(c)(2) of the 1940 Act to permit the deduction of mortality, expense risk, and distribution expense charges from the assets of the Separate Account under the Contracts and under any future contracts, and from the assets of any future separate accounts offering contracts which are materially similar to

the contracts, meet the statutory standards of Section 6(c) of the 1940 Act. Accordingly, the Applicants assert that the requested exemptions are necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 95-1841 Filed 1-24-95; 8:45 am]

BILLING CODE 8010-01-M

### Issuer Delisting; Notice of Application to Withdraw From Listing and Registration; (Catalina Lighting, Inc., Common Stock, \$.01 Par Value) File No. 1-9917

January 19, 1995.

Catalina Lighting, Inc. ("Company") has filed an application with the Securities and Exchange Commission ("Commission"), pursuant to Section 12(d) of the Securities Exchange Act of 1934 ("Act") and Rule 12d2-2(d) promulgated thereunder, to withdraw the above specified security ("Security") from listing and registration on the American Stock Exchange, Inc. ("Amex").

The reasons alleged in the application for withdrawing the Security from listing and registration include the following:

According to the Company, in addition to being listed on the Amex, the Security is listed on the New York Stock Exchange, Inc. ("NYSE"). The Security commenced trading on the NYSE at the opening of business on December 21, 1994 and concurrently therewith the Security was suspended from trading on the Amex.

In making the decision to withdraw the Security from listing on the Amex, the Company considered the direct and indirect costs and expenses attendant in maintaining the dual listing of the Security on the NYSE and the Amex. The Company does not see any particular advantage in the dual trading of the Security and believes that dual listing would fragment the market for the Security.

Any interested person may, on or before February 9, 1995, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, DC, 20549, facts bearing upon whether the application has been made in accordance with the rules of the Amex and what terms, if any, should be imposed by the

Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 94-1843 Filed 1-24-95; 8:45 am]

BILLING CODE 8010-01-M

### Issuer Delisting; Notice of Application to Withdraw From Listing and Registration; (Digicon Inc., Common Stock, \$.01 Par Value) File No. 1-7427

January 19, 1995.

Digicon Inc. ("Company") has filed an application with the Securities and Exchange Commission ("Commission"), pursuant to Section 12(d) of the Securities Exchange Act of 1934 ("Act") and Rule 12d2-2(d) promulgated thereunder, to withdraw the above specified security ("Security") from listing and registration on the Boston Stock Exchange, Inc. ("BSE").

The reasons alleged in the application for withdrawing the Security from listing and registration include the following:

According to the Company, it requests such withdrawal from listing because its Security presently is listed on the Amex, and the volume of Trading on the BSE does not enhance the liquidity of the Security or justify the costs associated with maintaining the BSE listing.

Any interested person may, on or before February 9, 1995, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, facts bearing upon whether the application has been made in accordance with the rules of the BSE and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 95-1842 Filed 1-24-95; 8:45 am]

BILLING CODE 8010-01-M